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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 000897

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ASEC](#) [EC](#)

SUBJECT: ECUADOR: ENGAGING THE NEW GOVERNMENT

REF: QUITO 894

Classified By: Amb. Kristie A. Kenney for reasons 1.4 (b) and (d)

11. (C) Summary: The Palacio government is gradually consolidating its hold on power, and beginning to send disturbing signals on issues. With ex-President Gutierrez still in the country, the situation remains unsettled--it is far from clear how long this government will last. In line with the OAS resolution, we have begun engaging with the government and others to encourage "full respect for democratic order, the constitutional framework, and the rule of law, through dialogue and constructive participation." The Ambassador will meet with President Palacio on April 25, and will begin calling on other cabinet members shortly, to encourage GOE cooperation with the OAS mission and protect key USG interests (FTA, Oxy, Manta) to the maximum extent possible. We had already begun engaging with the new military and police commands, and government officials at a lower level. End Summary.

Getting Gutierrez Out

12. (C) Gutierrez remains in the Brazilian Ambassador's residence. The GOE is now publicly signaling that it will grant Gutierrez safe passage out of the country, but is not saying when, exactly. Media and a minimal group of protesters remain camped outside. Sources indicate that Gutierrez' departure may be imminent.

GOE Welcomes OAS Visit

13. (C) In our initial contacts with GOE officials (RefTel), all have strongly welcomed the prospect of an OAS delegation visit. Initial reaction to the OAS declaration has been muted, with the exception of Guayaquil mayor Jaime Nebot, who defended the Palacio government's sovereignty and said he would defend the new government "in the streets if necessary."

14. (C) For our part, we are offering to assist the OAS mission here in any way to ensure the success of the visit, including coordination on the agenda, facilitation of meetings, and care of US delegation members.

Elements of an Engagement Strategy

15. (C) The new government is trying to distinguish itself early from its discredited predecessor on a range of issues, some of which affect USG interests. To open dialogue with the goal of preventing costly short-term mistakes by this government, it is urgent that we begin to engage at the highest levels.

16. (C) Of critical concern are early indications that brash young Economy Minister Rafael Correa is considering a debt moratorium. Ardent nationalist Government Minister Gandara has signaled that although Palacio has not made any decisions, he will recommend review of the Manta CSL agreement. Gandara has also publicly declared that there will be no Article 98 agreement with the U.S.

17. (C) Unfounded rumors swirled on April 22 of unrest in the military over the replacement of the high command, confirming the need for continued engagement with the security forces. We have confirmed with outgoing and incoming military leaders that these rumors had no substance, and are in close touch with the new national police chief on security issues.

Comment

18. (C) Nebot's posturing aside, we expect the OAS mission to be warmly received here by the government. That said, on the streets, it is possible the protest movement might be reactivated to demonstrate popular support for the government against foreign interference. Regardless, we will work with the OAS mission here to ensure a successful visit.

19. (C) At this point, the new government is strongly signaling that it will track a different course than Gutierrez on most issues, including key USG interests in trade, Manta CSL, investment issues. Some of this, we

believe, can be blunted through engagement. No USG interest is served by leaving the GOE alone to make serious early missteps. Our efforts are focused on preventing or at least holding off those decisions until the OAS mission determines its recommendations.

KENNEY